

# *EITC IN THE NEWS*

*Media Coverage For The  
State Earned Income Tax Credit (EITC)  
Campaign 2007*

*"It's time for our state to begin treating our most vulnerable citizens with respect and dignity."*

*State Treasurer Denise Nappier*

# EITC IN THE NEWS

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## **News Stories**

*Journal Inquirer – Report: State Struggling With Welfare-To-Work*  
*New Haven Register – \$13M In Aid Rides on Job, Welfare Program*  
*Yale Daily News – Yale Dems Push For Tax Credit Bill*  
*The New London Day – Thousands Are Missing Out On Tax Credit*  
*The Hartford Courant – On Job For Working Poor*  
*New Haven Register – Call Issued For State Earned Income Tax Credit*  
*Norwich Bulletin – Tax Credit Available, But Not Many Apply For It*  
*The Hartford Courant – Rell: ‘Worst Year Possible’; Most Spending Squeezed*  
*Journal Inquirer – State Tax Credit for Working Poor Proposed Again*  
*Journal Inquirer – Manchester Officials Launch Effort To Increase Use Of Income Tax Credit*  
*CT News Junkie – EITC: Will It Pass?*  
*New Haven Register – Lawmakers Urged To OK State Tax Credit*  
*The Hartford Courant – More of State’s Poorest Are Feeling Tax Burden*  
*Norwich Bulletin – Locals Lobby For State Tax Credit*  
*The Hartford Courant – Caucus Unveils Legislative Agenda*  
*The Hartford Courant – Democrats Raise The Ante*  
*New Haven Register – Dems Seek Tax Increase For Wealthy, Cuts For Poor*  
*The New London Day – Democrats Propose ‘Better’ State Budget*  
*The Hartford Courant – New Thread In Tax Plan*  
*The Hartford Courant – Democrats’ Tax Plan Advances*

## **Op-Eds and Editorials**

*The Washington Post – How To Really Help Low-Wage Workers*  
*The Hartford Courant – Lifting Property Tax Burden*

## **Letters to the Editor**

*The New London Day – State Needs Earned Income Tax Credit*

## **Press Releases**

*U.S. Dept. of Treasury – IRS Launch Campaign to Help Low Income Taxpayers*  
*Connecticut Association for Human Services – Giving Credit Where Credit is Due*  
*Senator Martin M. Looney – Looney Champions State EITC*

## **Radio and TV Coverage**

### **Fox TV Channel 61: Hartford VITA/EITC**

*Fox TV Channel 61 ran a story on the evening news Wednesday, December 6, about event held at Hartford City Hall to raise awareness about Volunteer Income Tax Assistance (VITA) sites, the federal Earned Income Tax Credit, and the campaign to enact a State EITC in Connecticut. Senator Eric Coleman spoke at the event in favor of a State EITC and he appeared on the news broadcast. The event was sponsored by Hartford Councilman Jim Boucher, the Connecticut Association for Human Services, the Greater Hartford Interfaith Coalition for Equity & Justice, and the Hartford Asset Building Collaborative.*

**WSHU (Fairfield County Public Radio)** – *Interview with Maggie Adair, Policy Director, Connecticut Association for Human Services, regarding the Campaign to Enact a State Earned Income Tax Credit and the February EITC press conference. Aired Tuesday, January 30, 2007.*

**WNPR (National Public Radio)** – *EITC Press Conference Coverage at State Capitol. Aired February 2, 2007.*

**CT-N** – *EITC Day Press Conference Coverage, February 1, 2007.*

*News Stories*

To view and download, please see:

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## **Report: State Struggling With Welfare-To-Work**

By KEITH M. PHANEUF

**HARTFORD - Connecticut needs to do more to help welfare families save dollars and find jobs or risk losing tens of millions of federal assistance dollars, according to a new state legislative report.**

*The Program Review and Investigations Committee, the General Assembly's chief oversight panel, also concluded that a state earned income tax credit should be analyzed as one means to help financially stabilize poor households.*

*"Connecticut will face considerable obstacles in meeting the new federal work participation rates," the committee wrote in its report, adding that state government stands to lose \$13 million next year "and steeper reductions in subsequent years.*

**The state's primary welfare initiative, the Jobs First Program, has two primary components:**

*\* Temporary Aid for Needy Families: Fueled by a federal block grant and subsidized with state dollars, this program provides cash benefits. This primarily involves benefits for single women with children, but also involves cases involving only children. Cash benefits are limited to 21 months for those recipients not exempted from work requirements, though extensions are possible.*

*\* And Jobs First Employment Services. This provides employment training and other assistance for welfare recipients.*

*About \$460 million in federal funds and state dollars go into the welfare system. Funding for cash benefits involves about \$120 million. The actual benefit paid to families hasn't increased since 1991 and monthly payments were reduced in 1995.*

*Funds also go toward employment activities, rental and energy assistance, a wide array of other support services for clients, case management and investigations.*

*When Congress reauthorized the Temporary Aid program in February 2006, it required Connecticut to double the number of clients in work activities or face penalties.*

*But since 1996, Connecticut has seen a dramatic drop in the number of welfare clients.*

*The average monthly caseload, which stood at about 59,000 one decade ago, was down to about 20,000 this past June.*

*Of that June caseload, 7,555 were expected to find jobs within the 21-month benefit limit, and 12,305 were exempt. About 70 percent of those exemptions involved households in which benefits were assigned to children only.*

*Almost 6,000 clients from the June 2006 sample actually were involved in some type of "employment activity," which includes employment, subsidized employment; taking vocational education, basic education or English as a second language classes, or participating in a job search program. Those involved in activities also are eligible for support services, such as childcare.*

*A little more than 2,300 clients were employed. A similar number were deemed eligible for work, but participated in no "employment activity," despite the risk of getting their cash benefits reduced.*

*Program Review found that Connecticut welfare clients still struggle with many barriers to employment.*

*One study sample showed 40 percent lack transportation to get to work, and 35 percent can't afford childcare once they leave the welfare rolls. Poor math and reading skills are problems for 26 percent, while 24 percent have a very limited work history.*

*Program Review found that of those clients expected to find work, only about half had completed the 12th grade and just 13 percent had spent any time in college.*

*In addition, almost no families on assistance own homes and one-third either rent public housing or receiving a housing subsidy.*

*As a result, many welfare families find they can't earn enough to stay off government assistance for good.*

*Program Review found just 27 percent of those studied earned more than the federal poverty level when they left welfare. About one-third of the families studied had returned to welfare within three months of leaving the program.*

**The committee approved several recommendations with its report including:**

*Placing more emphasis on helping welfare recipients obtain a high school or general equivalency diploma, including requiring clients to enroll in adult education if they haven't secured employment after one year.*

*Enhancing programs to identify and treat drug abuse.*

*Making welfare clients aware of the Earned Income Tax Credit offered within the federal income tax system, and studying whether to establish a similar credit within the state income tax.*

*The EITC is a refundable credit that allows working poor families to gain an income tax refund equal to a percentage of what they made, even if they earned too little to owe any taxes. Advocates say it is an effective tool to help poor families save enough dollars to stay off of welfare once they leave.*

*More than 21 million families receive about \$39 billion annually through the federal program. "In addition, research indicates that the impact of the program on the local economy is significant," the Program Review report states, "because program recipients return the dollars they receive back to the communities in which they live."*

*Nineteen states and the District of Columbia provide a state earned income credit. Of the New England states, Connecticut and New Hampshire do not, but New Hampshire does not have a state income tax.*

*The General Assembly's Finance Committee has considered a state credit in several of the past few years, but one has not been written into the state budget.*

*Critics of a state EITC have said this isn't really a tax refund, but a subsidy program, and that the state would be better off investing those funds in social service programs.*

Newspaper:  
New Haven Register

Date:  
December 26, 2006

To view and download, please see:

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## **\$13M In Aid Rides on Jobs, Welfare Program**

Associated Press

**-HARTFORD — Connecticut risks losing millions in federal aid unless it does more to help welfare recipients find and keep jobs, according to a new legislative report.**

*First welfare initiative also concluded that a state earned-income tax credit should be considered.*

*The state could lose \$13 million next year and additional funds in coming years unless it boosts the number of welfare clients in work-related activities, as required by Congress in its reauthorization of federal funds earlier this year.*

*That's true even though Connecticut has seen a dramatic drop in the number of welfare clients over the past decade.*

*The average monthly caseload, about 59,000 10 years ago, was down to about 20,000 in June. Of those recipients, 7,555 were expected to find jobs within the 21-month benefit limit and 12,305 were exempt, mostly because the benefits were going only to children.*

*Many Connecticut welfare recipients struggle with transportation, child-care costs and other barriers as they seek work, the report says.*

*The report found that many welfare families could not earn enough to stay off government assistance permanently, and that one of every three such Connecticut families returned to the welfare rolls within three months of leaving the program.*

*Connecticut overhauled its welfare program in the 1990s, and has not increased its monthly payments to families since 1995.*

*The legislative committee's recommendations include making welfare clients more aware of the federal earned-income tax credit, in which working poor families can qualify for a refund even if they earned too little to owe any taxes.*

*Advocates say it is an effective tool to help poor families save enough to stay off welfare once they leave. More than 21 million families receive about \$39 billion annually through the federal program, and 19 states and the District of Columbia also provide state earned-income tax credits.*

*The General Assembly's finance committee has considered a state credit in the past, but it has not been implemented.*

Cara Baruzzi can be reached at 789-5748

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Newspaper:  
**Yale Daily News**

Date:  
January 26, 2007

To view and download, please see:  
<http://www.yaledailynews.com/articles/view/19597>

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## **Yale Dems Push For Tax Credit Bill**

### **Group pressures assembly to reduce income taxes**

By WILLIAM WHITAKER  
Contributing Reporter

*Following the failure of last year's campaign to enact an Earned Income Tax Credit in Connecticut, the Yale College Democrats are out in force again to lobby for the bill.*

*The Yale College Democrats are making a renewed push in Connecticut's General Assembly for the passage of the EITC measure, which would reduce the income tax burden for low-income working families through tax credits. The Dems finished a three-day long signature petition drive Thursday night and will present the signatures to Gov. M. Jodi Rell and other key legislators next week.*

*Yale Dems President Eric Kafka '08 said passage of the bill, which was thwarted last year, will depend on rallying public support. The Dems are lobbying for the bill in conjunction with approximately 60 other in-state organizations, including the Connecticut Association for Human Services, Connecticut Voices for Children and the Connecticut Catholic Arch-Diocese.*

*Margaret Adair, policy director for the Connecticut Association for Human Services, said the issue had brought disparate groups together in a campaign that started much earlier than last year.*

*"This issue created a very, very diverse coalition of groups that wouldn't normally be working together," Adair said.*

*Ben Shaffer '08, campaign manager for the Yale Dems, said the main task of organizations involved in the campaign is to show that there is wide support among voters for the bill. The results of an ongoing statewide petition drive — which had collected over 5,000 signatures as of Thursday evening — will be presented to legislators on Feb. 1, he said.*

*But even if there is strong public support for the legislation, State Rep. Bill Dyson said, lawmakers still have other considerations to take into account.*

*"Is universal health care going to take up all available resources?" he said. "Am I going to vote for universal health care, or the EITC?"*

*Starting Tuesday night, the Yale College Democrats set up tables outside residential college dining halls to collect student signatures in support of the bill, Shaffer said. As of Wednesday, the second day of their three-day effort, the Yale Dems had acquired approximately 700 signatures from the Yale community and hoped to have 1,000 by the end of the drive, Shaffer said.*

*Ward 1 Alderman Nick Shalek '05 said the bill would promote local economic growth, particularly because it would give money to those most likely to spend it locally.*

*But Bert Ferrara '07, treasurer of the Connecticut Union of College Republicans, said EITC is not the best way to solve the state's problems.*

*“I believe that across the board tax cuts are a lot better way of saying ‘I’m Connecticut, I’m good for jobs,’ than tax credits,” he said.*

*After the statewide petition results are announced next week, members of the Yale College Democrats plan to personally lobby legislators in Hartford, Shaffer said.*

*An EITC bill has existed on the federal level since 1975.*

Newspaper:

**The New London Day**

Date:

February 1, 2007

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## Thousands Are Missing Out On Tax Credit

By PATRICIA DADDONA

*You might be one of thousands of Connecticut taxpayers eligible to claim a federal earned income tax credit worth up to \$4,500 on your federal income tax return this year.*

*The Internal Revenue Service wants you to get any money to which you're entitled — not only for the 2006 tax year, but for 2005 and 2004, too.*

*Today is National Earned Income Tax Credit Awareness Day, an IRS designation aimed at calling attention to the millions of dollars in earned income tax credits that go unclaimed every year.*

*The credit is for people who work, but have lower incomes. It's intended to reduce the tax burden and provide an incentive to work. It became law under President Ford in 1975. People who qualify can lower their tax bill or get a refund they may not otherwise have received.*

*For the 2006 tax year, individuals with two or more children whose earned and adjusted gross income is less than \$36,348 (or \$38,348 for married couples) can claim the credit. Lower income limits apply to singles and married couples with one child or no children.*

*Dianne Besunder, a spokeswoman for the IRS in Connecticut, said that in the 2004 tax year, one in five eligible people in Connecticut and, specifically, in New London County, failed to cash in on the credit.*

*Nationally, she said, the ratio is one out of every four eligible people.*

*"The IRS wants every taxpayer to claim every deduction and tax credit to which they are entitled," Besunder said. "We want this message to get out. We want these people to be reached."*

*The IRS isn't sure why the tax credit goes unclaimed so often, just as agency representatives aren't sure why many people claim the credit in error. But more than 22 million taxpayers received more than \$41 billion through the program in tax year 2005, she said, "making the credit a great investment in the lives of those who claim it."*

*According to state figures and a county-by-county breakdown from the IRS obtained by Joe Mack, a business services representative for the Chamber of Commerce of Eastern Connecticut, 780,699 workers in Connecticut were eligible for the tax break in 2004 (the most recent year for which statistics are available), but that only 164,933 claimed it.*

*In New London County, only 13,123 of the 63,481 eligible for the break filed claims, according to IRS tax analyst Donna Lancaster of Atlanta. In Windham County, only 6,683 of the 27,673 eligible taxpayers applied for the relief.*

*Of those Connecticut taxpayers who did claim the tax credit, the average payout was \$1,625.*

*"We're talking about a lot of money," Mack said.*

*Unlike 19 other states, Connecticut does not offer a state earned income tax credit. The Connecticut Association for Human Services will try to change that with a public campaign it plans to launch at 11 this morning in Hartford.*

*“We have one story of a woman who got (the tax credit) three years back and ended up using it as a down payment on a house,” said Maggie Adair, an association spokesman. “I’m not going to say that’s the norm, but for some people, yes, they spend it (and it goes) right back into their communities. We just think it makes so much sense.”*

*According to its Web site, the association is an independent, nonprofit, public education, research and policy development group committed to decreasing poverty, neglect and inequality in Connecticut.*

*The tax credit also helps relieve an imbalance in the tax system, Adair said, because low-wage earners pay a disproportionate share of their earnings on income, sales, property and excise taxes. Ten percent of wages for the lowest-earning workers goes toward taxes, whereas the wealthiest pay only 4 percent, she said.*

*People who think they may qualify for the tax credit should call information line 211 or search for the earned income tax credit on the IRS Web site at [irs.gov](http://irs.gov). Free tax preparation may also be available.*

*Some of the criteria to qualify for the tax break include: having a valid Social Security number, having earned income from employment or self-employment, and being a U.S. citizen. There also are some restrictions; for instance, it is not available to married couples filing separate tax returns.*

*“This is one way to help people accelerate their income, which makes you better able to address issues of family health, education, home ownership — all the attributes of a higher quality of life,” Mack said. “My strong personal feeling is this is something that is potentially a huge benefit to families and taxpayers to increase their assets to achieve goals.”*

Newspaper:  
**The Hartford Courant**

Date:  
February 2, 2007

To view and download, please see:  
<http://www.courant.com/business/bc-taxcredit0202.artfeb02,0,2887164.story>

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## **On Job For Working Poor Advocates Strive Again For Earned Income Tax Credit In State**

By JANICE PODSADA  
Courant Staff Writer

*For years, Christine Leatherwood, a single mother of three children ages 14, 10 and 4, took the bus from her home in Hartford to work. The employment agency she worked for tried to place her in jobs downtown, but that wasn't always possible.*

*Some days, Leatherwood, 34, had to ride two or three buses to get to work.*

*Three years ago, Leatherwood, who was earning \$23,000 a year, learned she qualified for the federal earned income tax credit.*

*With the \$3,500 she received that year thanks to the credit, she bought a 7-year-old Honda Accord for \$3,200.*

*The car eased her commute and her anxiety, making the prospect of a family emergency less worrisome. Now, Leatherwood, a working mother since she was 21, is saving her earned income tax credit refunds to buy a home.*

*Success stories such as Leatherwood's have inspired supporters of a state earned income tax credit to try again.*

*A coalition of backers, including the Connecticut Association for Human Services and the League of Women Voters of Connecticut, gathered at the Capitol Thursday to announce their support for a state earned income tax credit, which would piggyback on the federal earned income tax credit.*

*The movement to establish a state tax credit isn't new.*

*For years, legislators, including state Sen. Martin Looney, D-New Haven, and others have been pushing for it. This year, supporters say, they're optimistic about passage. This year, like last, the state has a budget surplus.*

*The federal tax credit lifts more children out of poverty than any other federal program and provides greater purchasing power for low-wage earners, said James Horan, executive director of the Connecticut Association for Human Services.*

*In 2003, the federal tax credit program helped lift 4.4 million people out of poverty, including 2.4 million children. "Families use it to pay bills, rent, utilities and food," Horan said. "They're not using it to buy a year's worth of Cablevision."*

*Under the proposal, Leatherwood and thousands of other Connecticut families would receive a state refund equal to 20 percent of their federal earned income tax credit.*

*If a state tax credit had been in place three years ago, for example, Leatherwood would have received a state refund check for about \$700, in addition to the \$3,500 federal refund credit she received.*

*For Leatherwood, the additional money represents a safety net.*

*"It means that when an emergency arises, I don't have to use the weekly paycheck," she said.*

*In 2004, the federal tax credit returned \$268 million to 165,000 low-wage-earning Connecticut families.*

*Under the federal program, enacted in 1975, families with two or more children with earnings up to \$38,348 are eligible for a tax credit on a sliding scale, up to \$4,536.*

*Families with no children or one child are also eligible, depending on their income.*

*In Connecticut, the average federal tax credit refund is \$1,610. Under the proposed state tax credit, families receiving that amount would receive an additional \$322 state refund (20 percent of \$1,610), with the maximum state credit capped at \$900, Horan said.*

*A state tax credit would refund about \$51 million annually to Connecticut families eligible for the federal tax credit. All of the New England states, except Connecticut and New Hampshire, which does not have a state income tax, have a state tax credit. And nationwide, 20 states and Washington D.C., have adopted it.*

*Opponents, however, question how families will spend the money and its value. Among their questions: Why should the state income tax system refund money to people who don't pay taxes? If you qualify for the federal tax credit, you're unlikely to pay Connecticut's state income tax, Horan said.*

*Its supporters, on the other hand, say low-wage-earning families do, indeed, pay state taxes.*

*"While most low-income people don't pay state taxes, they do pay a disproportionate portion of their income for state sales tax, property and excise taxes," said Jodonna Powell, a territory manager for the Internal Revenue Service department that promotes the tax credit.*

*Opponents also question how the state would fund the program.*

*"With a surplus, that money would come out of the budget - though in future years, it might come out of the state's general fund," Horan said. "That's not a budget breaker for a state with a \$14 billion budget."*

*Others are concerned that funding a state tax credit would violate the state's budget cap. According to the state Office of Fiscal Analysis, the tax credit is a credit; as such, it is considered a tax expenditure and not a spending appropriation.*

*Supporters of the proposal said they're also trying to reach the 15 to 20 percent of Connecticut families who are eligible for the federal credit, but have not claimed it when they file their tax return.*

*Some families don't realize they're eligible; others fear that in claiming the credit, they'll lose food stamps or other benefits, which is not true, Powell said.*

*To help them find out whether they are eligible for the federal credit, the Volunteer Income Tax Assistance program, which is overseen by the IRS, is offering tax preparation assistance at 80 sites in Connecticut. The service is free to taxpayers earning \$39,000 or less a year.*

*Contact Janice Podsada at [jpodsada@courant.com](mailto:jpodsada@courant.com). Copyright 2007, [Hartford Courant](#)*

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## Call Issued For State Earned Income Tax Credit

By GREGORY B. HLADKY  
Capitol Bureau Chief

**HARTFORD — Low-income working families in Connecticut urgently need a state earned income tax credit that would provide them with about \$53 million a year in state payments, according to supporters of the proposal.**

*The proposed state tax credit would piggyback on an existing federal earned income tax credit that provided more than \$261 million to Connecticut families last year, advocates of the plan said Thursday.*

*"They are struggling, they are trying to be independent," state Senate Majority Leader Martin M. Looney, D-New Haven, said of the working poor who would be eligible for the state payments. He called the proposal for a new tax credit "a pragmatic, sensible way to target relief for low-income working families."*

*Republican Gov. M. Jodi Rell, although she issued a proclamation Thursday recognizing and praising the federal earned income tax credit program, is opposed to a state piggyback system.*

*"In general, when looking at all the costs and benefits, (the governor) feels there are probably better ways of spending that money," said Rell spokesman Rich Harris. However, Harris said Rell is willing to look at details of the state EITC proposal.*

*The top GOP leader in the state Senate, Louis C. DeLuca of Woodbury, also personally opposes the plan. "I always felt (an earned income tax credit) was a tax refund for those who don't pay taxes," DeLuca said. "We have a number of programs to take care of those who can't take care of themselves."*

*But the second-ranking Senate Republican, John McKinney of Fairfield, said he could back a state earned income tax credit if it wouldn't unbalance the state budget. "It comes down to how it fits into the budget," McKinney said.*

*Looney said that, while the Connecticut families eligible for the payments don't pay any state income tax now, they do "pay a much higher percentage of their income in sales taxes than to other families." He added they also pay property taxes on cars and homes or through their rent.*

*"It's time for our state to begin treating our most vulnerable citizens with respect and dignity," said state Treasurer Denise Nappier. She said census figures show twenty other states, including New York and Massachusetts, have a state earned income tax credit program.*

*"It is unacceptable that Connecticut is not among the states that offer an EITC," said New Haven Mayor John DeStefano Jr. "In New Haven alone, a (state) EITC would put millions of dollars back into the pockets of working people."*

*The federal earned income tax credit was enacted in by Congress in 1975. In her proclamation, Rell said the EITC "has often been described as the most successful federal antipoverty program ever developed in the United States and it has lifted millions of people above the poverty line."*

*Jodonna Powell, a spokeswoman for the Internal Revenue Service, said 159,681 Connecticut families received more than \$261 million in federal payments last year under the earned income tax credit program.*

*Currently, working families with annual incomes of up to \$38,348 qualify for the federal EITC. In Connecticut, the average federal credit sent to eligible working families is \$1,610. Supporters of creating a state program said a state EITC program would result in an average additional payment to eligible families of \$322.*

*The maximum amount a family can get under the federal earned income tax credit program is \$4,536. The maximum state tax credit payment under the proposed plan would be \$907.*

*Federal and state officials said the intent in designating Feb. 1 as "Earned Income Tax Credit Day" is to encourage eligible families not currently applying to take advantage of the program.*

*Powell said experts estimate 15-20 percent of eligible families don't apply for the federal EITC, either because they don't know enough about it or are afraid they might lose other state or federal benefits if they apply.*

*Gregory B. Hladky can be reached at [gbladky@nregister.com](mailto:gbladky@nregister.com) or at (860) 524-0719.*

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## **Tax Credit Available, But Not Many Apply For It**

By JESSICA DURKIN  
Norwich Bulletin

**NORWICH -- For the last three tax seasons, Bryan Tyler has looked forward to the average \$2,000 refund he has received through the Earned Income Tax Credit.**

*"It's been very helpful because I've been able to buy eyeglasses with it, I bought my daughter a crib -- basically any lump sum purchases I can't get during the year," Tyler, 27, of Norwich, said. "We were out in Ohio, and I used some of it to help move back to Connecticut."*

*Tyler, an artist, is legally blind and does not work. He collects Social Security and stays home to take care of his only child, Bella Grace, 3, while his wife, a gas station manager, is the sole household worker.*

*Tyler prepares his family's taxes on the Taxslayer computer program and claims a total household income of just under \$30,000.*

*The federal Earned Income Tax Credit was created by Congress in 1975 as an anti-poverty program for low-income working families. Tyler is among the millions of eligible taxpayers nationwide who applies for the refund. But he is in the minority because millions more working households do not claim the refund to which they are entitled.*

*In Connecticut, less than half of eligible households received an EITC refund in 2004. Of the 1.6 million tax returns filed that year, 48 percent were eligible for the credit, but only 21 percent received it, according to the Internal Revenue Service.*

*Jodonna Powell, IRS territory manager for Connecticut and Rhode Island, said the government paid out \$36 billion last year nationwide in EITC refunds.*

*Powell said some reasons the refunds go unclaimed are taxpayers are unaware of the credit, they have misperceptions they are not eligible, or, the biggest reason according to Powell, disabled persons collecting Social Security do not apply for fear they will lose those benefits if they claim the EITC.*

*"Even people without children may be eligible," Powell said. "But the real reason for it was to be a tax benefit for low- to moderate-income working families."*

*Powell said filers, once they learn they are eligible, can claim the credit for the past three years. Powell said the average EITC refund per eligible filer in Connecticut is \$1,665.*

*In New London County, 21 percent of the 49 percent of eligible taxpayers received the credit in 2004.*

*In Windham County, 24 percent of the 53 percent of tax payers eligible claimed the credit.*

*Depending on family size and income, refunds can reach just more than \$4,500 per household.*

*Mary Bartlett, a social services case worker for the City of Norwich, said she has seen families use the tax credit to pay for school, save for a house or buy a car.*

*"It's the most successful anti-poverty program because the real way to get out of poverty is for them to accumulate some kind of asset, whether it be a car or a house or an education," Bartlett said. "It's a lump sum that lets them get ahead. For some people, it allows them to get caught up."*

*More money in people's pockets means more money in the local economy, said Joe Mack, of Connecticut Works business services representative in Danielson.*

*"I don't think we can say enough about EITC," Mack said. "Every dollar that comes back into the community generates about \$9 in general revenue locally. The dollar doesn't just sit idle in somebody's drawer, it goes back to the economy."*

*In Windham County, the average EITC refund in 2004 was \$1,680.*

*"I know a lot of families who can barely make it today," Mack said. "We live in an expensive economy, even in Eastern Connecticut. Fuel costs are high, levy costs are high. General living expenses are up and wage scales are not, and these are earned dollars people are entitled to."*

*Reach Jessica Durkin at 774-5563 or [jdurkin@norwichbulletin.com](mailto:jdurkin@norwichbulletin.com)*

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## **Rell: 'Worst Year Possible'; Most Spending Squeezed**

By CHRISTOPHER KEATING  
*Capitol Bureau Chief*

*Some of those gearing up for the battle for the state dollar will learn Wednesday that they're in for their toughest scrap in 16 years when Gov. M. Jodi Rell presents her new two-year budget.*

*Based on the complicated nuances of the state spending cap, most of next year's budget can increase by only 3.3 percent - the lowest amount since the cap was created in 1991. The exceptions would be items such as debt payments and aid to distressed cities like Hartford and Bridgeport.*

*Rell and her budget director, Robert Genuario, are lowering expectations in advance of her budget address and have been wrestling down spending on a variety of programs.*

*"We're now looking at the lowest amount that this cap has given us," Rell said. "It is the worst year possible. We can't really exceed that limit. ... In the short-term, it's going to be very difficult."*

*The spending cap is calculated by the five-year average of the growth in the state's personal income. The state had two bad years in the 2002 and 2003 fiscal years that are dragging down the five-year average and cutting the spending growth.*

*Senate Majority Leader Martin Looney, a New Haven Democrat, and the Connecticut Voices For Children think tank have called for adjusting the complicated cap to allow for more spending. But Republicans argue that the legislature should not tinker with the cap because 81 percent of citizens voted for a state constitutional amendment to limit spending in 1992.*

*Rell, Genuario, and the budget team have crafted the fiscal plan largely in secrecy, but insiders believe that Rell will propose increased spending for early childhood education and public schools. Genuario headed a special commission that called for more education funding for cities and towns, but he conceded that providing all of the money sought by the commission "will take a significant amount of time."*

*Increased spending at 3.3 percent translates into an extra \$565 million for state programs, and Genuario says that overall spending will be "a bit higher" when non-capped programs are included.*

*A wide variety of nonprofit agencies, represented by the Connecticut Community Providers Association of Rocky Hill, will be pushing for higher state assistance to meet their rising costs.*

### **Taxes**

*On the tax side, Rell will again offer her controversial car-tax elimination plan, but this time it will call for a phase-out of the tax over five years.*

*Democrats have ripped Rell's revised version as an old clunker that has run out of gas. They said they would be willing to consider the plan if Rell did not eliminate the popular \$500 property tax credit, but Rell is calling for the credit to be*

*eliminated by the fifth year.*

*"Last year, most of the benefit went to very wealthy people with very expensive cars," Looney said. "That's the kind of thing that made us balk."*

*Republicans and Democrats will also be fighting again over whether to create a state earned income tax credit in Connecticut for the first time. Republicans fought strongly against the credit last year, saying it did not make sense as a tax refund for citizens with incomes so low they do not pay state income taxes. In the final budget negotiations, Democrats fought for the credit and Republicans countered with a push for relief on the estate tax for those who die with more than \$2 million in their estates. In the end, neither side got what it wanted.*

*Since it was so close, Democrats will try again this year.*

*"We got it down to the one-yard-line at the end," Looney said. "That was on the 59th minute of the last hour."*

*The average state credit for low-income families would be \$322, and the maximum credit would be \$907, said James Horan, executive director of the Connecticut Association for Human Services. The credit is based on a sliding scale, and the highest credits goes to families earning between \$11,500 and \$16,500. But a single mother with two or more children would still be eligible for a reduced credit if she earns as much as \$36,348 per year.*

*The plan would piggyback on the federal credit, and Connecticut residents would receive 20 percent of the federal credit, which reaches a maximum of \$4,536.*

*In another tax battle, real estate agents and municipalities will fight over the increased real estate conveyance tax on property sales, which is scheduled to expire June 30 if the legislature does nothing. Connecticut has long had a conveyance tax on sales, but the amount was increased in 2003 when the state was facing a major budget deficit. The increased tax was supposed to expire, but the legislature has since extended the sunset date until June 30.*

*The cities and towns, represented by the Connecticut Conference of Municipalities, says that the municipalities would lose about \$45 million if the taxes are rolled back. On the other side of the debate, real estate agents, home builders, mortgage brokers, and home inspectors have joined to say that home sellers have been hurt by an "invisible tax" that many are unaware of until they are closing the sales of their homes.*

*Distressed cities such as Hartford and Bridgeport can charge a tax up to 0.5 percent on real estate transactions, while wealthier towns such as Avon charge 0.25 percent - up from the previous maximum rate of 0.11 percent. The increased tax has become an important source of income for the cities and towns, and the CCM lobbyists are fighting to keep the money.*

## **New Hospital**

*Another controversial spending issue will be whether the legislature will support the University of Connecticut Health Center's proposal to build a \$495 million replacement for John Dempsey Hospital in Farmington. UConn officials want the legislature to use \$45 million in state money already approved for renovations at the health center under the UConn 2000 program. Some legislators said they did not learn of the plan for a new hospital until it was announced last week and then approved by UConn's board of trustees the next day.*

*Rep. Christopher Caruso, a Bridgeport Democrat, opposes building a new hospital, saying a renovation makes more sense. He said St. Vincent's Medical Center in Bridgeport - which was founded in 1903 and opened a new building in 1976, making it about the same age as UConn's 32-year-old complex - is being renovated in a major expansion project.*

*"Thirty years is not old at all," Caruso said. "C'mon. What is the real need for it?"*

*UConn needs a six-story, 354-bed hospital to recruit top-rate faculty and have a first-class medical school, said Dr. Peter J. Deckers, the health center head.*

*Deputy Senate Republican leader John McKinney, who does not often agree with Caruso, said he has spoken to about a dozen colleagues and none favor the UConn proposal.*

*While competing interests will be battling for state dollars as the budget is analyzed over the next four months of the legislative session, Genuario said he and the governor are "quite happy" with the package that will be presented on Wednesday.*

*At the same time, he recognizes that he will be handling long negotiations with the Democrats before the final agreement is finished - most probably in early June.*

*"Both she and I are happy with the conclusions that she reached," Genuario said. "I've never seen a budget yet in which everyone said, 'There's nothing more to be done.'"*

## **Energy**

*On Super Bowl Sunday, Rell offered an updated plan for energy regulation and pricing that contains ideas found in her past proposals. She is again proposing a new state Department of Energy, but this year's version calls for 70 employees, which would be an expansion over the 10-person department that Democrats in the legislature rejected last year.*

*Rell is also calling for a two-year ban on zone pricing, a practice used by the major oil companies to create certain various geographical "zones" in which they charge different prices to the retail gasoline stations. Some legislators have complained for about a decade that this practice leads to widely divergent prices around the state, but the legislature has never approved a ban on the practice because the major oil companies have lobbied successfully against any changes.*

*Attorney General Richard Blumenthal was unimpressed by Rell's proposals, saying that they are mostly "a retread" of her past ideas.*

*"This proposal provides absolutely no immediate major relief for our consumers or economy in [electricity] rate relief or refunds," Blumenthal said Sunday night from his Greenwich home.*

*"The [proposed] Department of Energy seems to be simply rearranging the deck chairs on a fast-sinking ship because it fails to provide new, forward-thinking" ideas.*

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## State Tax Credit for Working Poor Proposed Again

By KEITH M. PHANEUF

**HARTFORD - Advocates of a state tax credit to help working poor families are hoping that state government's tight fiscal conditions actually could help their chances of winning approval this year.**

*Supporters of a state earned income tax credit also took heart in a proclamation Republican Gov. M. Jodi Rell issued last week, recognizing a program her administration has been critical of in the past.*

*But a spokesman for the Republican governor said that while Rell is willing to evaluate this year's tax-credit proposal, she remains unsure whether it's the best way to help poor families.*

*"A state earned income tax credit is the best targeted assistance that Connecticut can provide to low-income working families who are struggling to be self-sustaining and independent," Senate Majority Leader Martin Looney, D-New Haven, said.*

*"Because Connecticut is such a high-cost state, and because working-class families pay such a large portion of their income in taxes, we see creation of a state EITC as a way to make Connecticut's tax system fairer," said James Horan, executive director of the nonprofit Connecticut Association for Human Services.*

*Advocates want a state EITC patterned after a federal program that's been in place since 1975. A refundable credit, the EITC reduces or eliminates the federal income taxes a family owes, provided that household earns below a threshold poverty level.*

*And if Connecticut were to offer one, it could take advantage of an accounting technicality to avoid bumping into the constitutional spending cap.*

*Any payments households receive under a state EITC would come in the form of state income-tax refunds. Tax refunds are not defined as "spending" under the cap system.*

*This fiscal year's \$16.07 billion state budget was written with a razor-thin margin, falling just \$4 million under the cap. And Rell's budget office says that while the cap allows about \$560 million in spending growth next fiscal year, it would take about \$700 million in new spending just to maintain current services.*

*But while the EITC appears to avoid one fiscal problem, there's still a political hurdle in its way.*

*More specifically, it's that the state income tax here already effectively exempts many low-income households. In other words, having an EITC in Connecticut could mean many families that owe no state income taxes still would receive a refund.*

*Currently, individuals earning \$12,000 or less and couples earning \$24,000 or less owe no state income taxes. Rell's budget director, Robert L. Genuario, said last year that state government would be better off spending the money it would lose in an earned income tax credit on established health care or social services for needy families.*

*Still, Rell's office issued a proclamation last Thursday - the same day advocates held a news conference rallying for the program - declaring it "Earned Income Tax Credit Day in the state of Connecticut."*

*Rell wrote in her proclamation that the "EITC has often been described as the most successful federal anti-poverty program ever developed in the United States and it has lifted millions of people above the poverty line."*

*So does that mean the administration is ready to back a state credit this year? That's not necessarily the case, according to Rell spokesman Christopher Cooper.*

*"I think the governor has always been willing to consider most proposals," Cooper said, adding this one would be reviewed as well. "But she is not sold on it for many of the reasons outlined by the administration last year."*

*Nineteen states and the District of Columbia have their own earned income tax credit.*

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## **Manchester officials launch effort to increase use of income tax credit**

By KIM PHILLIPS  
*Journal Inquirer*

**MANCHESTER - Local officials are challenging residents to double the number of taxpayers taking advantage of the federal Earned Income Tax Credit, which can provides tax refunds to many low-wage earners.**

*In some cases, the refunds can exceed the total amount of federal income taxes withheld from a worker's pay during the year, representing a type of supplemental income. The credit has often been called a "negative income tax," although the Internal Revenue Service calls it a "refundable credit," according to spokeswoman Dianne Besunder.*

*"There is a need in the community, and for whatever reason they're not doing it," Democratic Director Kevin L. Zingler said last week of Manchester residents who are eligible for the credit but don't claim it. "They are the ones who need it the most."*

*Many refunds range between \$3,000 and \$4,000, Zingler, who worked on a publicity campaign with other town officials, said. "That's a lot of money."*

*Two banners will be hung across Main Street, in the downtown area and near the 8th Utilities District offices, advertising the campaign. Also, sandwich-board signs will be placed at key locations.*

*Town officials have spent the last several months working with local banks, tax agencies, and nonprofit groups to develop the awareness campaign, which was launched Thursday. Municipalities nationwide held press conferences and other events to mark the day.*

*In Manchester, Democratic Mayor Josh M. Howroyd proclaimed Thursday, Feb. 1, Earned Income Tax Credit Awareness Day during an afternoon gathering at Town Hall.*

*The Internal Revenue Service says only about 22 percent of eligible Manchester residents took advantage of the credit in 2003.*

*Married couples with one child and a family income less than \$34,001 - or a single worker with one child and family income under \$32,001 - can claim a tax credit up to \$2,747.*

*Married couples with more than one child and a family income less than \$38,348 - or single workers with more than one child and family income under \$36,348 - can claim a credit up to \$4,536.*

*Childless married couples making less than \$14,120 - or single workers making less than \$12,120 - can claim up to \$412.*

*Jodonna Powell, an IRS representative on hand for last week's campaign kickoff, said the credit was instituted in 1975 as a way to make working more attractive than welfare programs. Since then, billions of dollars have been refunded to low-wage earners.*

*That number could be even higher, she said, but many people falsely believe that they are ineligible for the credit, that they will lose other social-service benefits if they take the credit, or that they must use a tax preparer to file their claim.*

*Those are all untrue, she said.*

*Three free tax-preparation sites will be available this tax season: at the Weiss Center on Mondays, Wednesdays, and Fridays; at the Senior Center from 1:30 to 3:30 p.m. on Mondays, Tuesdays, Wednesdays, and Fridays; and at Manchester Community College from 9 a.m. to 1 p.m. on Fridays.*

*Call 647-3095 for an appointment at the Weiss Center. Appointments are unnecessary at the Senior Center or MCC.*

*The town also is sponsoring a Web site about the credit:*

*[www.townofmanchester.org/eitc](http://www.townofmanchester.org/eitc)*

*Zingler said the Board of Directors is set to consider developing special savings accounts with banks and nonprofits for refund recipients. Money could be withdrawn from such accounts in only certain instances such as to put a down payment on a house.*

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## **EITC: Will It Pass?**

By CRISTINE STUART

*The clergy made a trip to the state Capitol Wednesday to remind legislators they were elected to public service to do good. And they can't do better than support a state Earned Income Tax Credit.*

*Rev. Jesse White said Connecticut may be the richest state in the country, but it also has the third largest gap between the highest income earners and the lowest. Rev. Terry Davis of the Greater Hartford Interfaith Coalition for Equity and Justice didn't come to the Capitol "bat in hand demanding a handout for the poor. We came here demanding justice."*

*Davis said originally considerations for the poor had been written into the income tax code, but over the years the affluent pay less of their total income than the poor. An EITC will "do justice for the poor."*

*Many may not understand that those who make less than \$30,000 a year are unable to claim deductions on their state taxes unless they own property, which for many at that income level is only a dream. The top 1 percent of Connecticut families earning over \$500,000 paid approximately 4.4 percent of their income in taxes. Those who earned less than \$21,000 annually paid 10.3 percent of their income in taxes, according to a report compiled by the Connecticut Association for Human Services.*

*Senate Majority Leader Martin Looney, D-New Haven, said even though some of the low wage earners don't pay income taxes they pay more in sales and property taxes.*

*The EITC may be the last thing on most legislators' minds, since many of them would not qualify for it. Rev. James Walker, said legislators need to remember or need to come to know what it means to be a low wage earner.*

*Where do these low wage earners live? According to a report from CT Voices for Children they live in every senate and house district in the state.*

*While a bulk of those who qualify for the EITC credit live in cities like Hartford, New Haven and Bridgeport there are other communities with a surprising numbers of federal EITC returns.*

*For example in Sen. President Donald Williams' district 5,239 EITC returns were filed in 2004. Williams represents the towns of Brooklyn, Canterbury, Killingly, Mansfield, Putnam, Scotland, Thompson and Windham. In Sen. William Nickerson's district that includes Greenwich, New Canaan, and part of Stamford 1,889 EITC returns were filed and in Sen. Andrew McDonald's district that includes the bulk of Stamford and Darien there were 4,632 EITC returns filed.*

*Looney who has been pushing for this legislation for several years said, "This is the year," the state enacts an EITC.*

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## Lawmakers Urged To OK State Tax Credit

By GREGORY B. HLADKY  
Capitol Bureau Chief

**Hartford** – A group of religious leaders presented to top state officials Tuesday petitions carrying more than 7,000 signatures supporting passage of a state earned income tax credit for the working poor.

*“We are drawn by our human nature to do what we see as good,” said the Rev. Brendan McCormick of St. Paul’s Episcopal Church in Wallingford. “I ask the legislature to do the good thing, to do justice.”*

*The Most Reverend Henry J. Mansell, archbishop of Hartford, said the proposed tax credit “would provide Connecticut’s poor working families a larger stepping stone to use for their journey out of poverty.”*

*A state earned income tax credit is a step in the right direction to assist Connecticut’s low-income working families,” Mansell said at a news conference.*

*State Senate Majority Leader Martin M. Looney, D-New Haven, called the push for a state EITC “a crucially important cause.”*

*“It will reward work; it will be of assistance to those who need it most.”*

*Supporters of the proposal point out that at least 20 other states, including all of Connecticut’s immediate neighbors, already have similar credits based on the 30-year-old federal earned income tax credit.*

*The proposal calls for Connecticut’s credit to “piggyback” on the federal earned income tax credit; paying low-income families 20 percent of the amount they now receive from the federal government.*

*Under the Connecticut plan, workers earning up to \$38,000 would be eligible for payments from the state even though they don’t actually pay any state income tax. The average federal EITC payment is between \$1,600 and \$1,700 and the average Connecticut credit payment would be about \$350, Looney said.*

*Spokesmen for Republican Gov. M. Jodi Rell have said she would be willing to look at a state earned income tax credit but believes the money could be better spent in other ways.*

*“We came very close to passing this last year,” said Looney, who predicted the measure would win legislative approval in 2007. Democrats now have veto-proof majorities in both the state House and Senate, an advantage they lacked a year ago.*

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**The Hartford Courant**

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## More of State's Poorest Are Feeling Tax Burden

By COLIN POITRAS  
Courant Staff Writer

*The state income tax is becoming a burden more and more to Connecticut's poorest working families, a report issued this week by a nonpartisan research group says.*

*When Connecticut's state income tax was implemented in 1991, the threshold at which a family of four started paying the tax was \$24,100 or 73 percent above the federal poverty line at that time. It was the highest threshold in the nation for a state income tax.*

*Today, that threshold stands just 17 percent above the poverty line, a drop of 56 percentage points and the largest percentage decline in the nation, according to an analysis by the nonprofit Center on Budget and Policy Priorities based in Washington, D.C.*

*Although most of the 42 states with income taxes have adjusted for inflation and increased their tax thresholds relative to the poverty level, only Connecticut and Alabama have not increased their thresholds since 1991, the report said. Alabama recently passed legislation that will begin to raise its threshold later this year.*

*Under Connecticut's current tax system, wealthy residents pay a far smaller share of their income in state and local taxes (4.4%) than do lower-income residents (10%) and middle-income residents (9.5%), according to Connecticut Voices for Children, a nonprofit family advocacy group in New Haven.*

*Connecticut Voices associate researcher Douglas Hall said the state's inability to adjust its tax threshold for inflation is becoming more pronounced each year.*

*"The erosion of Connecticut's tax threshold by inflation makes Connecticut a harder place for working parents to make ends meet and raise their children," Hall said.*

*Hall said Connecticut's high cost of living and stagnant tax threshold are creating a financial crunch for low-income families. A two-parent family of four earning just \$24,100 - the 1991 threshold - had to pay state income tax last year, according to Hall's research. If the tax threshold had been maintained at 73 percent of the federal poverty level, a family of four would not start paying state income tax until they were making at least \$35,664 after all tax exemptions and credits are applied, Hall said.*

*Voices for Children says it believes Connecticut can improve its tax situation by taking the following steps: Increasing the tax threshold each year by indexing state income tax exemptions to increases in inflation  
Creating a state earned income tax credit*

*Making the state tax structure more balanced among families of different incomes*

*Currently, 21 states, including New York and Massachusetts, provide earned income tax credits, said Shelley Geballe, the president of Connecticut Voices.*

*Senate Majority Leader Martin M. Looney, D-New Haven, has introduced legislation this year calling for the state to enact an earned income tax credit that would amount to 20 percent of an eligible family's federal income tax credit. Looney said the new tax program would cost the state about \$53 million annually.*

*Under the federal program, if a family's income tax liability is less than the amount of the credit, the difference is paid to the family. Last year, the federal tax credit provided more than \$261 million to needy Connecticut families.*

*State Rep. Kevin M. Delgobbo, R-Naugatuck, a ranking member of the legislature's appropriations committee, said he understands the need to help struggling families, but he's not sure creating an earned income tax is the best way to do it.*

*"Once you start to change that schedule, it just means the rest of the taxpayers are going to have to pay more," Delgobbo said. "I don't think they are talking about reducing spending."*

*Gov. M. Jodi Rell would be willing to review a proposed earned income tax credit if it was presented to her, Rell's spokesman Rich Harris said.*

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## **Locals Lobby for State Tax Credit**

By LIZ MUGAVERO  
Norwich Bulletin

NORWICH -- With the benefits of a federal Earned Income Tax Credit evident across the state, lobbyists Wednesday worked to pass a state credit to be enacted in Hartford next tax season during the State EITC Advocacy Day.

Lee-Ann Gomes, director of social services for the city, lobbied for the credit in order to bring more money back to the community.

"It's a necessary benefit that assists both the individual family and the city," she said.

This tax season, what Gomes calls a "record-breaking" 405 people in the city were assisted by the Human Services Department in filing for \$298,758 in federal tax returns. She said \$93,000 of that amount was a product of the federal Earned Income Tax Credit. With an additional \$32,000 in state refunds, there was more than \$330,000 brought back to the city, according to Gomes.

"It's a tremendous amount of money to bring back," she said. "That money is spent right here by people catching up on rent, utility bills, buying cars and other local activities."

And with a good-sized segment of the population qualifying for tax credits, establishing a state program would return even more money to the community.

Gomes said they're trying to parallel state and federal amounts based on income levels. The amount of money earned versus how much money is taken out for taxes would determine the credit amount.

According to Maggie Adair of the Connecticut Association for Human Services, 21 states have a state EITC, including all the New England states except Connecticut and New Hampshire. New Hampshire does not qualify because it has no income tax.

"It would be a direct piggyback with the federal credit," Adair said of the proposed state EITC. "We're looking to get 20 percent of the federal tax credit, which is a middle ground number."

The national range for state EITCs is between 5 percent and 35 percent.

"We'd be happy with 10 percent," Adair said. "We are the wealthiest state, but we have the largest income divide and very high housing costs. This could put \$900 in the hands of a family."

The cost to the state would be \$53 million. Adair said a more progressive tax package focused on higher rates for higher income earners would help pay for the EITC program.

Last year the program was added to the budget, but dropped off after opposition by Gov. M. Jodi Rell.

"We were so close, so we're back again this year," Adair said.

*Attorney Ed Bona said if the money could make changes in the economy of the city, it makes sense.*

*"Tax laws and tax credits are very policy driven," he said. "But if it balances out and allocates the ability to spend locally, I'm for it."*

*Adair said the amount of assistance the credit provides families can't be measured.*

*"It makes an amazing difference in people's lives," she said.*

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## Caucus Unveils Legislative Agenda

By COLIN POITRAS  
Courant Staff Writer

*Black and Latino lawmakers Wednesday presented an aggressive agenda for the current legislative session that includes improving education, housing and job programs to benefit minority families and young people.*

*Highlighting the fact that Connecticut has one of the largest achievement gaps in the nation yet the highest personal incomes in the country, leaders of the legislature's minority caucus said they will support bills that increase funds for school readiness programs, improve access to regional schools and require high schools to have college-level exit standards for graduates.*

*"Connecticut is the state with the most and the least," said state Rep. Kelvin Roldan, D-Hartford, referring to the despair in inner cities and schools, contrasted with the state's burgeoning suburban wealth.*

*In the fourth grade, the difference in academic achievement between the state's poor and non-poor students is 3.3 grade levels in reading - the largest of all states - and the math gap is second only to Illinois, Roldan said.*

*The lack of a quality education has a domino effect, caucus members said. The unemployment rate for those lacking a high school diploma in Connecticut is 15 percent, the highest in New England, according to the caucus. The median wage in Connecticut for whites is \$18.86 per hour compared with \$12.14 for blacks and \$11.10 for Hispanics, the caucus said.*

*"It's all connected," Roldan said. "If you're not performing well in education, how are you supposed to perform in the job market? And if you're not performing in the job market, how can you afford to live in Connecticut?" Roldan asked.*

*The caucus, which consists of 16 representatives and three state senators, urged legislative support for initiatives that would increase family assistance benefits, create a state earned income tax credit and re-establish a state Department of Housing. They also want to establish a first-time homebuyer savings pilot program to create a mechanism to provide funds to recent college graduates for purchase of a home, expand rental assistance programs and increase funding for youth employment.*

*Too many young people who go astray in school and are unable to find work end up in the criminal justice system, caucus members said. Currently, 80 percent of the 14- to 17-year-old youths held in the adult correction system are black or Latino, caucus members said.*

*The lawmakers said they support initiatives to raise the age of juvenile jurisdiction from 16 to 18 and to create more juvenile diversion programs.*

*State Rep. Charles "Don" Clemons Jr., D-Bridgeport, the caucus chairman, said caucus members are also continuing to fight for improved health care for all and reductions in taxes.*

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## **Democrats Raise The Ante**

By CHRISTOPHER KEATING and COLIN POITRAS  
*Courant Staff Writers*

*By proposing tax cuts for the vast majority of Connecticut taxpayers - to be paid for largely by increases on those earning more than \$190,000 a year - Democratic legislators appeared Thursday to be setting up a classic Democrat vs. Republican debate.*

*Calling their plan historic, the Democrats' 10.4 percent spending increase supports some of Gov. M. Jodi Rell's new education initiatives, while adding millions more in certain health care and social services areas than she had proposed.*

*Rell immediately threatened a veto, but simultaneously she said she is willing to begin negotiations with the Democrats, who hold veto-proof majorities in the Senate and the House. Rell was particularly concerned that the Democrats want to raise taxes by more than \$1 billion, including an income-tax rate increase of nearly 40 percent on couples earning more than \$250,000 a year.*

*"It is unacceptable and, frankly, it's unconscionable," Rell told reporters at the Capitol. "The taxpayers in the state cannot afford that."*

*But Democrats had an entirely different viewpoint, which was evident during a news conference that seemed more like a pep rally. Lawmakers constantly applauded themselves as speakers stepped to the lectern and provided various details about the plans.*

*One of the biggest responses came for boosting the popular property tax credit to a maximum of \$1,000, double the current maximum of \$500. More than 80 percent of the credits are claimed by those earning less than \$100,000, which is the highest level to claim the full rate. Couples earning above \$191,000 are not eligible for the credit.*

*The Democrats are also proposing an earned income tax credit - a controversial issue that has been opposed by Republicans and some conservative Democrats in the past. The credit would be 20 percent of the federal credit - meaning a family that receives \$1,000 from the federal government would receive an additional \$200 from the state.*

*In an unusual move, the Democrats unveiled both the budget and the tax packages together - a rarity because those sections of the fiscal plan are approved by two separate committees. On Thursday, though, all the top Democrats gathered in a room at the Capitol complex to make the announcement.*

*"The Democratic plan is better, smarter and fairer" than Rell's, said Senate President Pro Tempore Donald E. Williams Jr. "It's an exciting and historic day for the people of the state of Connecticut."*

*The Democrats are funding the income-tax cuts, in part, by agreeing with Rell to increase the cigarette tax by 49 cents to \$2 a pack. That move stunned tobacco lobbyists at the Capitol. Many Democrats said they would oppose such an increase because it disproportionately hits the poor and the middle class.*

*"I certainly was not in favor of that cigarette tax increase," said Sen. Eileen Daily, D-Westbrook, who co-chairs the tax-writing finance committee. "But in order to do all these other things, it became necessary. This is like doing a puzzle."*

*Raising the cigarette tax has been a popular idea across the nation and in Connecticut, where polls have shown that only about 20 percent of the adult population smokes. The legislature last increased the tax in 2003 to the current rate of \$1.51 a pack.*

*After a relatively short debate Thursday on the spending side of the two-year plan, the appropriations committee approved the package in a 36-17 vote. Rather than debating into the night, the Republicans had agreed in advance simply to vote against the plan. The finance committee is expected to vote Monday on the tax proposals. The final budget compromise is not expected to be completed until late May or early June.*

*The Democratic budget supports Rell's education plans in many ways but makes cuts in others. For example, the Democrats cut \$50 million that Rell wanted to spend on textbooks, saying that an increase in educational cost-sharing money to cities and towns could cover the cost of the books. Overall, the Democrats say they send \$31 million more to municipalities than the governor does in all funding categories by pouring money into areas that include town aid for roads.*

*The Democratic plan would provide more than \$3 billion each year for elementary and secondary education, down by about \$245 million from Rell's proposal.*

*The income-tax plan, if signed into law by Rell, would provide reductions for all couples earning under \$190,000 a year and increases on those earning above that level. The highest rate is currently 5 percent, but few taxpayers actually pay that rate because of the complexities of the state income tax.*

*Like Rell, Republican legislators were flabbergasted by the level of taxes and spending, even though Democrats said it was a relatively small increase over Rell's own plan.*

*"I'm numb. I'm not being flip," said Sen. John McKinney of Fairfield, the deputy Senate GOP leader. "I expect the Democrats to bring this budget to the floor. That is exactly why I am numb and fearful."*

## **Health Care**

*Some lobbyists were also upset. Toni Fatone, a lawyer who heads an association of nursing homes, said the Democrats essentially approved a 2 percent funding cut for nursing homes at a time of financial distress for many homes. Even though the homes got a higher than normal increase last year, the five previous years they received only tiny increases.*

*"We've barely been able to crawl out of the financial abyss we've been in, and they've kicked us back over the cliff," Fatone said. "You find me anybody out there who can keep a company or service going [for five years] on one-half of 1 percent."*

*Rell's budget director, Robert Genuario, was dumbfounded that the Democrats had failed to provide increases for union workers in the nursing homes, which are represented by District 1199 of the New England Health Care Employees union, a powerful Democratic constituency.*

*"I would hope this is the ceiling. But you know what?" Genuario asked before laughing. "When 1199 gets at them, this may not be the ceiling. I don't know what 1199 did to them. They're the only ones they said no to."*

*Like the nursing homes, the state's nonprofit providers - who help those with a wide variety of disabilities and addictions - called the proposed 3 percent cost-of-living increase insufficient. They've asked for a 7 percent increase next year and 5 percent in the second year.*

*"We are astounded that both the legislature and the governor are proposing hundreds of millions of dollars in new spending, while at the same time not giving sufficient attention to the basic human services needs of thousands of Connecticut's children, adults and families," said Terry Edelstein, president of the Connecticut Community Providers Association.*

*Rell withheld any cost of living increase for the providers in her proposed budget, instead offering a \$32 million "low-wage pool" over two years to help underpaid agency employees receive more competitive wages. The providers' request for a 12 percent cost-of-living adjustment over two years would have cost \$180 million.*

*The Democratic budget provides \$303 million for various health care programs in the first year but comes nowhere near endorsing the "single-payer" system or providing universal health care that some advocates sought.*

*Democrats also eliminated virtually all funding for the governor's touted Charter Oak Health Plan that would help the uninsured acquire care through state-subsidized insurance premiums. The committee left in \$2 million in planning money only.*

## **Overall Spending**

*The budget funds everything in state government - from dental care for prison inmates to salaries for more than 50,000 state employees.*

*Cumulatively, the appropriations committee is calling for spending \$17.79 billion in the fiscal year starting July 1 and \$18.64 billion in the second year of the two-year budget. This is \$333.5 million more than Rell's proposal in the first year and \$316.5 million higher in the second year.*

*In various categories, the Democrats are proposing \$5.1 billion in spending for the Department of Social Services in the first year, \$3 billion on elementary and secondary education and \$707 million on higher education.*

*Among key proposals the committee approved Thursday:*

*Increased Medicaid fee-for-service rates with \$126.3 million in new funds in 2008 and \$157.7 million in 2009. To increase the chronic under-funding of Medicaid rates, the Democrats are offering a 50 percent increase in reimbursement for physician fees and 40 percent each for clinic fees, dental fees and vision services. Managed care organizations would get a 10 percent increase.*

*Increased eligibility for state-administered general assistance or SAGA programs from 60 percent to 70 percent of the federal poverty level. The cost would be \$36.7 million a year for the next two years.*

*Reduced the governor's \$38.7 million request for funding for Husky medical benefits by \$11.5 million in 2008 and reduced her request for \$70.8 million for Husky benefits in 2009 by \$17.6 million because of adjusted caseload expectations. At the same time, the Democrats increased eligibility for the Husky program for parents from 150 percent of the federal poverty level to 185 percent.*

*Appropriated \$3.5 million a year for the next two fiscal years to expand Medicaid eligibility for pregnant women.*

*Expanded the governor's initiative to provide free Husky health insurance to eligible families from two to six months after birth at a cost of \$3.9 million in the first year and \$8.2 million in the second year. The plan also calls for providing \$20 million in each of the two years to expand Husky rates to dentists.*

*Restored a \$4 million subsidy to the Connecticut Children's Medical Center in Hartford that the governor had proposed cutting from the budget.*

*Provided \$7.2 million over two years to fund an additional 220 service slots for Medicaid-eligible children with special medical needs, known as the Katie Beckett waiver. The state would be able to recover about 65 percent of the total cost through federal matching funds.*

*Established a new Autism Spectrum Disorders Board with \$1.1 million in the second year to serve individuals with autism disorders who do not have mental retardation.*

*Joseph F. Brennan, the chief Capitol lobbyist for the Connecticut Business and Industry Association, said the proposed new state income tax structure would hurt entrepreneurs and small businesses looking to retain or create jobs. Connecticut already lags behind many other states in job creation, he said, and the budget released Thursday may do further damage.*

*Genuario seemed at a loss in considering how the Republican administration and Democratic legislature would find common ground.*

*"This package is a lot of money," he said. "We're not interested in this type of spending increase. It is not a small increase over the governor. ... We're a long way apart."*

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*Courant Staff Writer Mark Pazniokas contributed to this story.  
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## **Dems Seek Tax Increases For Wealthy, Cuts For Poor**

By GREGORY B. HLADKY  
Capitol Bureau Chief

**-HARTFORD — Democrats offered a budget plan Thursday that includes a boost in spending of more than 8.9 percent, state income tax increases for the wealthy and tax reductions for middle and lower income residents.**

*Total spending under the Democratic proposal would be \$17.8 billion for the coming fiscal year, some \$334 million more than Republican Gov. M. Jodi Rell recommended two months ago.*

*Democratic leaders praised the budget plan as "historic" and "better, smarter and fairer," than Rell's proposal. "This is the best budget we've put on the table so far," said House Speaker James A. Amann, D-Milford.*

*But Rell denounced the Democratic package as "unacceptable and, frankly, unconscionable." Rell and her budget aides insisted the Democratic spending increase is actually 10.5 percent for the first year.*

*Rell said she would not sign such a budget plan and appeared unconcerned Democrats might use their veto-proof majorities in the House and Senate to override a veto. She said Democrats know they need her approval to exceed the spending cap and that without that move, their budget won't work.*

*"A 10.5 percent increase in spending and a billion dollars in new taxes, we simply cannot afford that, the taxpayers cannot afford that," said Rell. "I think what we really need to do right now is sit down at the table and start the negotiations as soon as possible."*

*The Democratic plan provides more than \$300 million in new spending on health care programs and \$31 million more than Rell suggested for aid to cities and towns.*

*Amann called the plan "focused and balanced." Amann said Rell "wants to put all the eggs in the education basket" but Democrats decided more spending was needed in key areas such as better health care and property tax relief.*

*The Democrats' top Senate leader, Donald E. Williams Jr. of Brooklyn, said the Democratic budget would provide income tax cuts for 88 percent of all taxpayers.*

*Despite clear differences in the competing budget plans, a spokesman for the Democratic leaders said they are ready to start negotiations with Rell "as soon as schedules permit."*

*The House chairman of the legislature's Finance, Revenue and Bonding Committee, state Rep. Cameron Staples, D-New Haven, said the plan offers lower rates for joint filers with incomes up to \$190,000. Income between \$20,000 and \$100,000 would be taxed at a rate of 4.75 percent, rather than the current 5 percent rate.*

*Staples said the proposal also would increase the current maximum property tax credit on the state income tax from \$500 to \$1,000 and create a new state-earned income tax credit for low-income working families that would "piggyback" on the current federal credit.*

*The state income tax rate would jump from 5 percent to 6.95 percent for taxpayers with annual incomes above \$250,000.*

*The Senate chairwoman of the legislature's Appropriations Committee, Toni N. Harp, D-New Haven, said the Democrats' plan's emphasis on funding for health care programs is a response to the demands for action from municipalities and residents statewide.*

*The governor's budget chief, Robert Genuario, immediately condemned the Democratic spending package as "unsustainable and unacceptable in this day and age." He charged the plan is riddled with "structural holes" that would lead to massive future deficits.*

*"In our opinion, this budget is utterly devastating," said Rep. Kevin M. DeGobbo of Naugatuck, top Republican on the legislature's Appropriations Committee.*

*The appropriations panel voted along party lines to approve the Democratic spending plan Thursday.*

*Staples said the Democratic majority on the finance committee expects to pass the tax plan next week.*

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## Democrats Propose 'Better' State Budget

By TED MANN

**Hartford** — Democratic leaders in the General Assembly wrested control of the state budget debate Thursday from Gov. M. Jodi Rell, simultaneously unveiling spending and finance proposals that would soar more than \$650 million over the governor's two-year plan and restructure the state income tax to weigh more heavily on the wealthiest taxpayers.

*In a session in which they have been repeatedly upstaged by the Republican governor — who first shocked her own party by calling for an income-tax hike, then stunned Democrats by calling for a cap on property taxes in cities and towns — the Democratic majority struck back Thursday.*

*In an unusual move, the Democrats debuted a preview of their tax package alongside the Appropriations Committee's budget bill. They unveiled it at a press conference where the lawmakers announced they will try to accomplish one of their longest-held goals — a substantial rewriting of the state income tax that Democrats crowed would reduce taxes for 88 percent of taxpayers, while increasing the levy on those most able to pay.*

*Under the Democrats' plan, the tax rate for joint filers earning between \$20,001 and \$100,000 per year would drop from the current 5 percent marginal rate to 4.75 percent. The rate would gradually rise for those earning more than \$100,000, to a high of 6.95 percent for joint filers earning more than \$250,000 per year. Joint filers earning \$190,000 or less would see their taxes reduced, the Democrats said.*

*The leaders of the Finance Committee plan other changes for the tax bills they will fully reveal next week, including a doubling of the current \$500 property tax credit on the income tax; a proposal to join the multi-state tax compact on Internet and catalog sales; the elimination of the so-called "cliffs" in the estate tax; establishment of a state earned income tax credit for the working poor; and a hike of 49 cents a pack in the tax on cigarettes.*

*Calling the Democratic plan "better, smarter and fairer" than Rell's, Senate President Pro Tempore Donald E. Williams, D-Brooklyn, said it would boost aid to municipalities by roughly \$31 million and plow millions into a variety of health care programs — more than \$300 million in 2008 and more than \$350 million in 2009.*

*"We've seen the governor's budget," Williams said at a press conference at the Legislative Office Building, before the committee voted on the spending package. "She wants to raise income taxes on those who cannot afford it. The firefighter, the teacher, the workingmen and women across this state. The Democratic plan provides a tax cut for middle-class families."*

*Rell's budget calls for an across the board 10 percent increase in the income tax, which would largely go to pay for a large infusion of money in the state's Education Cost Sharing grant, worth roughly \$3.4 billion over five years.*

*The Appropriations Committee voted, 36-17, to approve the spending package, which would increase spending on health care and some municipal grants while scaling back the governor's proposed infusions of aid for public schools.*

*Among its chief provisions:*

- Nearly \$270 million over two years to increase reimbursement rates for Medicaid, including a 50 percent increase for doctors;
- Expansion of the HUSKY health program to uninsured infants up to six months and to parents up to 185 percent of

*the federal poverty level;*

- *Increases in municipal grants for non-taxable property like state facilities, colleges and hospitals;*
- *A \$14.8 million annual increase in the Pequot/Mohegan Fund, which redistributes casino slot revenue to cities and towns, and added funds for road improvements;*
- *Restoration of dollars for jobs programs that had been denied funding in the governor's budget.*

*The starkest difference could be summed up quickly: While Rell had focused her budget on increasing education funding, the Democrats, in order to free up municipal budgets and lower the property tax, seized on health care.*

*The governor wants to put all the eggs in the education basket," said House Speaker James A. Amann, D-Milford. "Yes, we may spend a little more than the governor, but most of that money (is) going toward health care."*

*The reaction was swift from both Rell's budget advisers and the legislature's Republican minority, where the Democratic spending proposals were seen as more than "a little" above what the governor had suggested.*

*The two sides couldn't even agree on how much the Democrats' proposals would increase state spending — Rell's staff pegged the increase at 10.5 percent, while the Democrats said it was only 8.9 percent. The Republicans called the proposal the first double-digit spending increase in the state since the imposition of the state's income tax and statutory spending cap in the early 1990s.*

*Rell did not threaten a veto outright and offered to begin negotiations immediately with lawmakers, but she sharply criticized the Democratic bill.*

*"It is unacceptable and frankly it's unconscionable," Rell said. "At a ten-and-a-half percent increase in spending and a billion dollars in new taxes, we simply cannot afford that. The taxpayers of this state cannot afford that."*

*The spending, said Rell's budget chief, Robert L. Genuario, is "unsustainable and unacceptable in this day and age." Genuario, in a briefing with reporters, said he didn't think the bill "adds up," and questioned a number of the outlined tax proposals, particularly the "streamline" sales tax compact on Internet sales. Rell had also considered joining the compact to begin recouping revenue from Internet sales, he said, but joining would also require eliminating some popular existing exemptions to the sales tax, including that on the first \$50 of a clothing purchase.*

*And Genuario, who served as a Republican state senator before being tapped to lead the governor's Office of Policy and Management, also challenged the Democrats' move to make the income tax more progressive.*

*While the issue of its fairness was up for discussion, he said, "What is not debatable is that this type of tax structure is significantly more volatile than one that is not so steep. You need not only an adequate tax structure, you need a stable tax structure."*

*Genuario also reasserted the governor's insistence on something the Democratic budget had ignored: a proposal to cap property tax increases in cities and town at 3 percent per year except for emergencies, which Amann had called "a hard sell."*

*"I am not giving up on the property tax cap," Rell said flatly.*

*Her fellow Republicans in the legislature were equally nonplussed.*

*"It makes this whole set of promises to people in critical areas that there is no way the economy or working families are going to be able to support," said Rep. Kevin DeGobbo, R-Naugatuck, the party's ranking House member on the Appropriations Committee.*

*Referring to what he said was more than a \$1 billion shortfall after the 2009 fiscal year, DeGobbo said, "It's absolutely built on quicksand."*

*The role for the legislature's Republican minority, though, has been complicated since Rell's budget announcement, when she proposed an income tax and spending increase that Republican lawmakers worried would give the majority cover to spend more.*

*"This was my concern from the beginning," said Sen. David Cappiello, R-Danbury, who said he had opposed Rell's budget because Democrats "would not be able to contain themselves, to control themselves."*

*Asked if that didn't seem to be more of a bipartisan problem, given that Rell herself had proposed exceeding the state spending cap by roughly \$520 million, Cappiello shook his head ruefully.*

*"That, I think, is the problem we have in this building," he said. "It is never, ever enough."*

*Meanwhile, municipal officials, of whom the same criticism is sometimes made in the legislature, applauded the Democrats' proposal to increase city and town grants. But, in a statement from the Connecticut Conference of Municipalities, town leaders also called "troubling" the lack of information about how much each will receive to fund local education.*

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## New Thread In Tax Plan

By CHRISTOPHER KEATING  
Capitol Bureau Chief

*The governor is calling it a hidden tax.*

*But maybe it should just be called the L.L. Bean clause.*

*If the legislature approves a Democratic plan to collect taxes on Internet sales, people would end up paying an extra \$284 million over the next two years when they buy clothes, she said Friday.*

*That's because, if Connecticut joins other states in the Streamlined Sales Tax Compact concerning Internet sales, the state would be forced to drop the sales tax exemption on clothing under \$50. The compact's rules require the elimination of any sales tax exemptions.*

*In offering their alternative to Republican Gov. M. Jodi Rell's budget proposal, Democrats Thursday said that if Connecticut joins the compact, the state would earn extra revenue by collecting taxes on Internet sales.*

*The provision would force Connecticut taxpayers to pay an extra \$140 million on clothing purchases in the first year and \$144 million in the second year.*

*"There are a variety of troubling elements in the Democratic spending plan, but this may be the worst part," Rell said. "Eliminating the sales tax exemption on clothing will hit each and every family in Connecticut.*

*"At a time when our citizens are struggling with sky-high gasoline and energy costs and ever-increasing property taxes, they should not have to pay an additional tax on every item of clothing they purchase for their family."*

*But Rep. Cameron Staples, D-New Haven, a co-chairman of the legislature's tax-writing finance committee, said the state could receive an estimated \$520 million from Internet and mail-order sales each year.*

*To offset the newly added sales tax, citizens would receive two other tax breaks under the Democratic plan. First, an increase in the annual property tax credit to \$1,000, up from the current maximum of \$500, that is taken against the state income tax.*

*Then, the Democrats intend to initiate a state earned income tax credit for the first time. The 20 percent state credit means that a family that gets \$1,000 from the federal government would get an additional \$200 from the state.*

*"We have a completely different view of it," Staples said of Rell's stance on an Internet sales tax. "We think it's a real loss of revenue," by not collecting the levy.*

*Rell's budget team studied the Internet sales tax extensively before deciding against trying to implement it in the fiscal year that starts July 1. The loss of the sales tax exemption, officials said, was a key factor in deciding to study the issue further. Rell is calling for a task force to analyze the matter in a comprehensive fashion.*

*Patrick Scully, a spokesman for the Senate Democrats, said Friday that the Rell administration is making a mistake by*

*not capturing Internet sales tax.*

*"Everything they do, budget-wise, is shortsighted," Scully said.*

*"They have no ability to look beyond the immediate. It's worth the price from everything we know. You get more than you lose," he said. "The fact that the governor is talking about this little, tiny piece shows that she's reeling from the Democrats' tax break. That's her answer?"*

*But Rell's spokesman, Christopher Cooper, said Connecticut taxpayers would receive a double hit by paying the sales tax on both clothing and Internet sales.*

*Democrats were still basking Friday in delight from the budget and tax package they offered Thursday. Besides an increase in the property tax credit, Democrats called for cuts in the income tax that they said would help 88 percent of Connecticut taxpayers.*

*However, House Speaker James Amann, D-Milford, summoned reporters to a conference room Friday to announce that the Democrats had made a mistake on the percentage of taxpayers who would receive tax cuts.*

*"The actual number is 90 percent," Amann said.*

*At the same time, Amann expressed regret that the Democrats agree with Rell in calling for an increase in the cigarette tax to \$2 a pack, up from the current \$1.51. Tobacco lobbyists were stunned to learn about the plan because they believed that Amann and other Democrats would never allow the tax to increase on lower-income and middle-income smokers.*

*"I hate the cigarette tax. I do," Amann told reporters. "But it's in the budget. Not everybody gets everything they want, including the speaker of the House."*

*If the tax increases to \$2 a pack, Connecticut still would rank behind Rhode Island and New York City, which both have higher rates. The Connecticut legislature has not increased the cigarette tax since 2003 - when a major fiscal shortfall prompted the hike to \$1.51 a pack under Gov. John G. Rowland.*

*Amann was particularly perturbed by Rell's characterization Thursday of the Democratic budget plan as "unconscionable." Rell had ripped the plan because it would increase spending by 10.4 percent and raise taxes by more than \$1.5 billion over two years. But Amann emphasized the more popular aspects of the plan.*

*"What is unconscionable about an income tax cut for 90 percent of our citizens?" Amann asked. "What is unconscionable about a \$1,000 property tax credit?"*

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## Democrats' Tax Plan Advances

By CHRISTOPHER KEATING  
Capitol Bureau Chief

*It's a tax package with something for everyone.*

*Democrats say their plan cuts income taxes for 90 percent of Connecticut tax filers. Republicans counter that it would be the second-biggest tax increase in state history - right behind the creation of the state income tax in 1991.*

*The net result of the package, approved Monday by a vote of 35 to 15 by the Democratic-controlled finance committee, would be more than \$1.6 billion in new taxes over two years, the legislature's nonpartisan fiscal office said.*

*Democrats are now girding for a battle with Republican Gov. M. Jodi Rell, who has proposed increasing the maximum rate on the state income tax by 10 percent over two years. Democrats want to cut the income tax for those earning under \$190,000 annually and raise it for those above that level.*

*The omnibus Democratic bill includes changes in virtually every major tax - the income, sales, cigarette, estate and real estate conveyance taxes - along with the property tax credit. The bill also would create a state earned-income tax credit for the working poor, a controversial measure that has been opposed in past years by Republicans and conservative Democrats.*

*About 90 percent of those paying the state income tax would see their taxes cut under the Democratic bills, while the state's wealthiest 10 percent would expect an increase.*

*Taxpayers earning more than \$250,000 would see the biggest spike, a nearly 40 percent jump in the rate from 5 percent to 6.95 percent in 2008. The tax on estates valued at more than \$10 million would increase 25 percent - a complete turnaround from Rell's proposal to phase out the estate tax.*

*The tax plan is expected to evolve during negotiations between Rell, the House and the Senate. The final package is not expected to be completed until early June as part of the state's overall \$17.7 billion annual budget.*

*Senate President Pro Tem Donald Williams said Monday that the Democratic plan is "better, fairer, and smarter than the governor's income tax proposal." But Republicans contend that the Democratic proposals are unnecessary because the state is not facing a fiscal crisis and, in fact, has amassed operating surplus totaling about \$1.5 billion over the past two years.*

*"There is no emergency today," Sen. William H. Nickerson, a Greenwich Republican, told his colleagues on the finance committee. "Far from being an emergency, we are in very sound financial shape. ...The magnitude of this tax bill is breathtaking."*

*After the creation of the state income tax, the Democratic plan would be the second largest tax increase in state history, Nickerson said.*

*Rell's spokesman, Rich Harris, took exception to Williams' statement that the Democratic proposal is better, saying that the Democratic plan will lead to a loss of the sales tax exemption on clothing under \$50, costing consumers about \$273*

*million in additional taxes to be paid over the next two years.*

*"Ask any middle-class taxpayer whether that sounds better, fairer or smarter," Harris said. "This is symptomatic of a broader problem that it's taxpayers' money that is at stake here. It's not government money."*

*Harris was referring to a plan by the Democrats to join other states in the Streamlined Sales Tax Compact, which would allow Connecticut to collect millions in sales taxes from Internet and mail-order sales. But in order to join the compact, states must drop existing sales tax exemptions with dollar thresholds.*

*For example, clothing in Connecticut would be affected because items are subject to a \$50 sales-tax exemption. Food and medicine, which are currently exempt from the sales tax, would remain exempt because there are no dollar thresholds for those items.*

*In a rare point of agreement, both Rell and the Democrats are seeking to raise the state's cigarette tax to \$2 per pack, up from the current \$1.51 per pack. That would make Connecticut's rate one of the highest in the nation, but it would still be behind New York City's \$3 per pack and Rhode Island's \$2.46 per pack.*

*Couples earning less than \$100,000 would benefit the most under the Democrats' plan, as their income tax rate would be cut, and the maximum property tax credit would increase from \$500 to \$1,000. The credit starts to phase out for couples above \$100,000, and it is completely eliminated for those earning more than \$190,000.*

*The omnibus tax bill would permanently increase the real estate conveyance tax that real estate agents have been strongly opposing for nearly four years. First enacted in 2003 to help close a major deficit in the state budget, the tax on the transfer of property increased to the current level of 0.25 percent, up from the previous rate of 0.11 percent. The bill passed by the committee Monday would make that change permanent, rather than having the rate drop back down to 0.11 percent as of July 1, the plan under current law.*

*"What happened to the middle-class tax relief that legislative leaders were so eager to tout last week? They never mentioned the conveyance tax," said Robert Fiorito, past president of the Connecticut Association of Realtors.*

*"The conveyance tax legislation has always been a separate bill, but the authorization is buried in this giant tax package. The only conclusion taxpayers should reach is that legislators like this tax because most sellers don't know about it until they pay it, and don't have time to complain. That's just wrong."*

*But top Democratic leaders have been saying for months that the increased conveyance tax has not hurt the real estate market, arguing that there is no reason to reduce the rate.*

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*Op-Eds and Editorials*

## How to Really Help Low-Wage Workers

By THOMAS Z. FREEDMAN

*If the House and Senate are able to agree on a minimum-wage hike and the president signs the bill, some may say we will have done enough to help low-income workers. It's true that low-wage workers urgently need a raise, that millions of Americans work full time and still live below the poverty line. But while an increase in the minimum wage is better than nothing, alone it is an incomplete instrument for really making work pay.*

*We should raise the minimum wage while committing our country to a bigger bargain: If you work full time, then you and your family will live above the poverty line. This goal is not only morally right but one our country can afford.*

*Published statistics for 2004, the most recent year with solid available data, show that about 3.5 million full-time workers earned less than poverty-level wages. Factoring in government benefits, about 2.6 percent of full-time workers live below the poverty line. That is about 2.7 million Americans. And these struggling workers frequently support families, meaning millions more depend on them.*

*On its own, the minimum wage is an imperfect means for ensuring no full-time worker is poor. First, it almost certainly will not be raised enough. Even the plan to raise it to [\\$7.25 an hour](#) has been a [political struggle](#), with success now likely but not guaranteed. It would take a wage of \$10 an hour for a worker to earn \$20,000 a year, about the poverty threshold for a family of four. Second, there are reasonable arguments that a \$10 minimum wage would harm many small businesses. Finally, increases in the minimum wage are not indexed for inflation -- and may never be. The last increase was 10 years ago, and some full-time workers have fallen further below the poverty line since then. Even with a new raise, workers will once again slip into poverty if a decade or more goes by between increases.*

*A better approach would be to increase the wage and simultaneously expand the earned-income tax credit (EITC). This program, signed into law by President Gerald Ford and greatly expanded and popularized by President Bill Clinton, is designed specifically to reward work. It is one of the country's most successful anti-poverty programs.*

*The EITC program, however, has substantial shortcomings. It does not cover childless workers younger than 25, and the credit does not help meet the costs of raising additional children after a family's second child. Further, many people who are eligible don't apply for the credit. These holes have significant consequences.*

*How many reforms are enacted would affect the cost of the credit. Increasing the EITC for families with three or more children -- more than half of all poor children live in such families -- would help an estimated 3 million families and cost about \$3 billion. Crucial actions such as improved outreach or removing a built-in marriage penalty could each be done for about \$1 billion; more complete reforms that would also help those living barely above the poverty line could cost 10 times that or more. But this is the best time in a decade to make this bargain with low-wage workers. An increased minimum wage will help millions of poor people; combining it with a new commitment to the earned-income tax credit could take them the rest of the way out of poverty.*

*Arguably, supporting those who are working hard and playing by the rules is as important a societal good as tax breaks for companies or even encouraging home ownership. The question ultimately is about our nation's priorities. The federal budget is more than \$2 trillion, and Congress's pork-barrel projects have been estimated at \$47 billion. Home mortgage*

*deductions -- a benefit for mostly middle-class Americans -- average about \$9,500 a year per homeowner. By comparison, the cap on EITC payments last year was \$4,400. The average EITC benefit in 2005 was only \$1,872.*

*The issue of whether to make such a policy change is timely with a presidential contest looming. It's not unreasonable to hope that some candidate will want the world's richest country to make a new bargain with its poorest workers. We need to raise the minimum wage. But we should also make a larger commitment. If you work hard year-round, we will make sure you are not living below the official poverty line. You may not be rich, but you'll know that in America work pays.*

*The writer was a senior adviser to President Bill Clinton and is a visiting fellow at the Progressive Policy Institute.*

To view and download, please see: [http://www.courant.com/news/opinion/op\\_ed/hc-sullivan0417.artapr17,0,1543224.story?coll=hc-headlines-oped](http://www.courant.com/news/opinion/op_ed/hc-sullivan0417.artapr17,0,1543224.story?coll=hc-headlines-oped)

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## Lifting Property Tax Burden

By KEVIN SULLIVAN

*With the clock ticking on the 2007 legislative session, it's not too late to find common ground on needed property tax relief. Gov. M. Jodi Rell's proposal was a lot of days late and a lot of dollars short, but at least it ended the nonsense of all those years when she and former Gov. John G. Rowland routinely dismissed the idea that the state has anything to do with property taxes. Now, it would be a real mistake to lose this opportunity.*

*By any measure, Connecticut has one of the worst property tax burdens in the nation, routinely much higher than national average. With a state income tax that hits lower- and middle-income wage earners the hardest, over-reliance on property taxes adds immensely to the overall unfairness of tax burdens in our state. Property taxes perversely undercut "smart growth," drive expensive sprawl and foment no-win competition for development among cities and towns.*

*The problem, of course, is that the governor's proposal doesn't really solve the property tax problem. Instead, her plan takes away the power of local officials to control municipal spending in a way that the state government officials would never accept for themselves. After all, this is the same governor who has effectively declared the state's spending cap dead in the water while proposing a mandatory cap for cities and towns. Her proposal only worsens disparities across the state because it would have practically no effect on very high property wealth, very low property tax communities.*

*Worst of all, Gov. Rell's plan to cap municipal property taxes, absent state funding sufficient to make up the difference, assures the slow but certain fiscal strangulation of public schools and other basic public services. The fiscal highway in Connecticut is already littered with the remains of state government's past broken promises. State government is hardly in a position to tell local government, "Trust me, the check is in the mail."*

*Even if the governor has fumbled a bit, the General Assembly, Democrats and Republicans alike, can still pick up the property tax relief ball and run with it. So what would be a fairer and more reliable plan? Start by scrapping the governor's earlier proposal to shift "car tax" burdens to residential and commercial property. Instead of Gov. Rell's plan to wipe out existing middle-income property tax relief, increase the state's property tax credit to \$1,000 and adopt a modest state earned-income tax credit so there is tax relief for those who do not pay state income tax. Legislative Democrats have already wisely added these ideas to the mix.*

*Then, adopt a reasonable cap on the annual growth of property taxes, as Gov. Rell proposes, but apply that cap only to discretionary local spending. In other words, exclude increased costs of unfunded state, federal and court-mandates from the local budget base for tax rate cap purposes. Do not, as Gov. Rell proposes, exclude debt service because it's a license to borrow and spend just like state government's already highest-in-the-nation indebtedness. Set a lower tax increase cap for very high wealth, very low tax rate cities and towns so statewide disparities do not worsen. Also, annually adjust the cap for increases or decreases in a statewide Municipal Cost Index and be sure the cap is adjusted to reflect implementation of state-mandated revaluation.*

*Any property tax cap must allow for more taxation during true fiscal emergencies. Otherwise, the cap should only be overridden by a two-thirds vote of the local budget authority or a majority of voters, but not both. Most important of all, in our land of unsteady state fiscal habits, exempt cities and towns from the cap to the extent that promised state aid fails to come through. The accountability really ought to run both ways. One immediate sign of goodwill would be fully funding state payments in lieu of taxes on tax-exempt property, increasing the state's foundation level of support for public schools*

*and adopting a fairer state income tax to pay for it.*

*The state should also go back to holding property revaluations every 10 years to capture more of the averaging out of property values over time. Finally, it's time to align state and local budget adoption schedules so that state aid can be reliably anticipated.*

*Maybe, just maybe, this could be the year for significant action on property tax reform.*

*Kevin Sullivan is the former lieutenant governor, a longtime leader in the state Senate and a past mayor of West Hartford.  
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*Letters to the Editor*

Newspaper:  
**The New London Day**

Date:  
November 22, 2006

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## Letter to the Editor

### State Needs Earned Income Tax Credit

*We applaud Chuck Potter's column titled "The working poor need more help" published Nov. 18. One program that does help working families close the gap between what they earn and what they need to make ends meet is an Earned Income Tax Credit (EITC).*

*We currently have a federal EITC, which provides a refund for families with incomes up to \$38,348. United Action of Southeastern Connecticut, along with its allies, is advocating a state EITC, which would piggyback on the federal EITC and provide low-income, working families with a refund matching 25 percent of their federal EITC return.*

*About 10 percent of Connecticut tax filers (168,000 families) would be eligible, with an average refund of \$391 per household. This money could be used to pay off debt, finance transportation to work, invest in education, buy basic necessities or save as a first step to build assets and family economic security.*

*The EITC encourages people to work and has a history of bipartisan support. Now, 21 states with both Democratic and Republican governors have enacted an EITC. Within the Northeast, Connecticut is the only state with an income tax that does not have a state EITC. It's time that Connecticut enacts this legislation to help hard-working families make ends meet.*

*United Action is working with its allies, the Connecticut Association for Human Services and the Hartford-based Interfaith Coalition for Equity and Justice on a 25,000-signature petition drive in support of a state EITC. The signatures will be delivered to Gov. M. Jodi Rell and to the legislature after the 2007 session begins. To sign the petition or for more information please call United Action at (860) 704-0138 or e-mail [uact4change@hotmail.com](mailto:uact4change@hotmail.com).*

Barbara Barrett and Jane Leger  
Ledyard, CT

*Press Releases*

Press Release:

**US Department of Treasury**

Date:

February 1, 2007

To view and download, please see:

<http://www.treas.gov/press/releases/hp242.htm>

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## **PAULSON, IRS LAUNCH CAMPAIGN TO HELP LOW INCOME TAXPAYERS TAKE ADVANTAGE OF TAX CREDIT, FREE TAX HELP**

Washington, DC - Treasury Secretary Henry M. Paulson, Treasurer Anna Escobedo Cabral and IRS Commissioner Mark W. Everson and the IRS' national partners launched Earned Income Tax Credit (EITC) Awareness Day at a Treasury Department press conference today. The event kicks off a nationwide campaign to inform taxpayers about this important credit for working families and the availability of free tax help.

"The Earned Income Tax Credit helps Americans who work hard but need extra support to make ends meet - people who are often on the first step of the economic ladder, gaining the experience and skills to land a better job and earn a higher income in the future," said Secretary Paulson. "Our goal is not just to help people get by. Our goal is to help people get ahead."

More than 150 coalitions and partners across the nation marked EITC Awareness Day with a series of news conferences or news releases promoting this valuable tax credit for low-wage taxpayers. These organizations operate free tax preparation sites for low-income individuals, for seniors and for other eligible taxpayers.

The Treasury officials were joined by partners Mayor Otis Johnson of Savannah, Georgia, Brian Gallagher, chief executive officer of United Way of America, Elsie Meeks, executive director of First Nations Oweesta Corporation and Linda Eatmon-Jones, coordinator, DC CASH, for the kickoff event at the Treasury Department.

The Earned Income Tax Credit provides a refundable credit of up to \$4,536 for eligible families. EITC claimants are eligible for free tax preparation services provided at 12,000 volunteer sites nationwide or they can also link to Free File through [IRS.gov](http://IRS.gov) if they wish to prepare their own return.

In addition to providing help claiming the EITC, these free tax sites can help qualified taxpayers request their one-time telephone excise tax credit.

"The IRS wants all eligible taxpayers to claim the EITC. Trained volunteers working at these free tax preparation sites can help ensure that taxpayers receive all the deductions and credits they are due. And, if you want to do your own taxes, there is always Free File which is available at [IRS.gov](http://IRS.gov)," said Commissioner Everson.

Many organizations offering free tax help also are encouraging taxpayers to save a little money or open a bank account. The IRS is helping in this effort by creating a new split-refund program that allows all taxpayers to divide their refund among up to three financial accounts, such as checking, savings and retirement.

"Tax time is an ideal time to think about savings. For many taxpayers, tax refunds are the largest checks they will receive throughout the year, and the new split-refund program gives individuals and families the opportunity to build a nest egg for the future," said Treasurer Cabral.

During tax year 2005, more than 22 million returns received over \$41 billion in EITC. However, the IRS also estimates that as many as 25 percent of eligible taxpayers fail to claim this tax credit.

Eligible people who fail to claim EITC include Spanish speakers, individuals who are self-employed or have service jobs in private households, childless taxpayers, rural residents, and recipients of other types of public assistance such as food stamps.

*The credit was created in 1975 in part to offset the burden of Social Security taxes and to serve as a work incentive. The amount of the credit varies but it is generally determined by income and family size. Many states also have a local version of EITC, which also can increase a taxpayer's refund.*

*Tax preparers and taxpayers can find a wealth of information at [IRS.gov](http://IRS.gov). Both can use the EITC Assistant at [www.irs.gov/eitc](http://www.irs.gov/eitc) which is an easy-to-use interactive tool to help determine if the taxpayer is qualified for EITC. This step-by-step online program helps answer questions about eligibility, filing status, qualifying children and credit amount. The EITC Assistant also is available in Spanish.*

*For the 2006 tax year, the maximum credit is \$4,536 for a family with two or more children; \$2,747 for a family with one child and \$412 if the taxpayer does not reside with children.*

*The maximum amount of earned income allowed is higher for tax year 2006 than it was for 2005. Please see Fact Sheet 2007-13 for all eligibility requirements. Generally, a taxpayer may be able to take the credit for tax year 2006 if the taxpayer:*

*\* has more than one qualifying child and earns less than \$36,348 (\$38,348 if married filing jointly),*

*\* has one qualifying child and earns less than \$32,001 (\$34,001 if married filing jointly), or*

*\* does not have a qualifying child and earns less than \$12,120 (\$14,120 if married filing jointly).*

*The maximum amount of investment income also increased to \$2,800 for tax year 2006.*

*The IRS reminds tax professionals that they must perform due diligence when preparing an EITC tax return. To help, the IRS created an EITC Tax Preparer Electronic Toolkit which is available at [www.eitcfortaxpreparers.com](http://www.eitcfortaxpreparers.com).*

*In addition to on-line tools, the IRS also produces Publication 596, Earned Income Credit, which explains all the eligibility rules and also includes a worksheet to determine eligibility. The publication is available in English and Spanish.*

Press Release:

**CAHS**

Date:

February 1, 2007

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**FOR IMMEDIATE RELEASE**

February 1, 2007

**CONTACT:**

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**Giving Credit Where Credit Is Due...  
A Celebration of National EITC Day and  
CT's Campaign to Create a State EITC**

*Americans are worried about money. And many Americans are worried about the growing gap between the very wealthy and the very poor. We see that the middle class is falling behind. While there is no silver bullet for reducing poverty and stimulating job growth in Connecticut, the **Earned Income Tax Credit (EITC)** has demonstrated a strong track record at the federal level and in 20 states.*

*Nearly 60 organizations in Connecticut will call attention to the benefits of the federal program that raises more families out of poverty than Food Stamps or welfare on National EITC Day at a press conference that will be held **TODAY, Thursday, February 1 at 11:00 a.m. in Room 1B at the Legislative Office Building in Hartford.** The organizations will underscore the need for Connecticut to enact a state-level EITC for low-wage working families.*

*"This is a great program to celebrate. The federal EITC is a win-win for everyone," says **Jodonna Powell of the Internal Revenue Service** in reference to the National EITC. "It helps working families with low-incomes to meet their immediate needs and boosts the local economy."*

**State Treasurer Denise L. Nappier** says, *"We have seen the positive effects of the Federal Earned Income Tax Credit (EITC), but we can do better for our hard-working families. Connecticut needs to join other states in supporting a state EITC to address the economic disparity that still exists here at home. A Connecticut EITC would empower workers, creating self-sufficiency, encouraging asset building, and ultimately benefiting our communities and our state economy."*

*The Earned Income Tax Credit:*

- Rewards work and increases workforce participation,
- Reduced child poverty,
- Pumps money into the economy,
- Helps workers earning up to about \$38,000 make ends meet by boosting wages, and,
- Creates equity among taxpayers, particularly among low-wage workers who pay a disproportionate amount of earnings on combined sales, property, and income taxes.

**Hartford Mayor Eddie A. Perez** is a staunch supporter of the EITC. He says, *"Claiming the EITC isn't just good for Hartford families, it's good for Hartford business too. Millions of dollars can go to education, mortgages, health care expenses, food, or other necessities. That's money that can be circulated in the local economy, strengthening neighborhoods, assisting small businesses, and spurring local economic development."*

**Donna Taglianetti, Executive Director of Co-opportunity, Inc.,** sees firsthand how important the EITC refund is to low-wage tax filers. Taglianetti represents the Hartford Asset Building Collaborative, which is a group of organizations providing free tax preparation services at Volunteer Income Tax Assistance sites in Hartford. “Not only do the VITA sites provide free tax services and steer tax filers away from costly refund anticipation loans, they also link residents up to banking accounts, credit repair, financial education, and homeownership programs.”

“A State Earned Income Tax Credit is the best targeted assistance that Connecticut can provide to low-income working families who are struggling to be self-sustaining and independent,” states **Senate Majority Leader Martin Looney.** “We need to join the large number of enlightened states who already provide this sensible benefit to reward personal initiative and hard work.”

Along with their work publicizing the federal EITC program, this diverse coalition is working together to create a state EITC, replicating the efforts of 20 other states and the District of Columbia. A state EITC, equal to 20 percent of the federal EITC, would put more money into the pockets of low-wage workers who play by the rules. Many organizations have been working with legislators to pass a Connecticut EITC; the Connecticut legislature came very close to passing a state EITC during the 2006 legislative session.

“Because Connecticut is such a high-cost state and because working-class families pay such a large portion of their incomes in taxes, we see the creation of a state EITC as a way to make Connecticut’s tax system fairer,” says **Jim Horan, Executive Director at the Connecticut Association for Human Services.** “Workers at the bottom of the state’s income scale pay well over twice the percent of income in taxes as those at the top. A state EITC would help even things out.”

“It is unacceptable that Connecticut is not among the states that offers an EITC,” says **New Haven Mayor John DeStefano.** “People have a responsibility to work, but work should pay. In New Haven alone, a [state] EITC would put millions of dollars back into the pockets of working people and offer families a hand up, not a hand out.”

**A Connecticut EITC would be a tax expenditure. Therefore, it would not be subject to the constitutional spending cap.** Horan says, “Creating a Connecticut EITC would be a bold step that lawmakers can take to spur job growth, stimulate the economy, and reduce poverty.”

Press Release:

**State Senator Martin M. Looney**

Date:

February 1, 2007

To view and download, please see:

<http://www.senatedems.ct.gov/pr/looney-070201.html>

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## **Looney Champions State Earned Income Tax Credit**

### **Says EITC furthers independence, hard work, self-determination**

*State Senate Majority Leader Martin M. Looney (D-New Haven) today led state officials and nearly 60 organizations in Connecticut in calling for a state Earned Income Tax Credit (EITC) to bring relief to low-income, working families struggling to make ends meet.*

*Hailed by advocates as "the champion of the EITC effort in Connecticut," Sen. Looney pledged to work in a bipartisan manner to bring the tax credit to Connecticut, the only state in the region without one. "Hard work, independence and self-determination are the core values we support. This tax credit targets relief to low-income families struggling with the high costs of energy, transportation, clothing and other everyday needs."*

*The EITC is a tax break for people who work but do not earn high incomes. Sen. Looney dismissed the notion that those who qualify for the EITC do not pay taxes. "Low-income, working folks pay many taxes, including a disproportionate amount of their income on sales taxes."*

*Added Sen. Looney, "Economic self-sufficiency should be a goal for our state both because it is good for these citizens and because it is good for Connecticut. These low-income workers truly need more assistance than their higher-paid colleagues, but unlike all of our neighboring states, we currently do not offer them this help which would allow them to approach a better standard of living."*

*Sen. Looney was joined today by state Treasurer Denise Nappier, Hartford Mayor Eddie Perez, a host of state legislators as well as representatives from dozens of statewide organizations.*